

RESEARCH BRIEF

prepared by

Universal Health Care
Foundation of Connecticut

FEBRUARY 2006



MAPPING HEALTH SPENDING AND INSURANCE COVERAGE IN CONNECTICUT

Residents Bear the Burden of a Broken Health Care System

Health care spending is skyrocketing, but many of the state's residents struggle to pay for their own health care. Connecticut residents spend too much and get too little from a fragmented and inefficient health care system. Medical bills are forcing many people to file for personal bankruptcy. Meanwhile, physicians, hospitals and other health care providers donate medical services worth tens of millions of dollars.

How can we fix our health care system? Specifically, how can we provide high-quality, affordable, comprehensive coverage for every Connecticut resident? To answer these, and other pressing questions, Universal Health Care Foundation of Connecticut (UHCFC) has commissioned a series of in-depth studies. This research brief outlines findings from UHCFC's *Mapping Health Spending and Insurance Coverage in Connecticut*, an economic study on the state's health care costs and gaps authored on behalf of the Foundation by the Economic and Social Research Institute and the Urban Institute. The full report can be found at www.universalhealthct.org.

Key Research Findings

- Health care spending in Connecticut reached almost \$15 billion in 2005.
- Covering every currently uninsured Connecticut resident would cost *less* than the state now pays for the uninsured in direct and indirect costs.
- Connecticut fails to use millions of federal dollars available for health care.
- Connecticut spends more than any other state on the elderly - nearly twice the national average. At the same time, spending per child and nondisabled, nonelderly adult ranks closer to the bottom.
- Connecticut underspends all other states, except Nevada, in percent of its gross state product used for state-funded health care.

- Connecticut's uninsured residents cost the state hundreds of millions of dollars in direct spending and even more in indirect spending.
- Connecticut's Hispanics and African-Americans make up disproportionately large percentages of the uninsured.

What We Spend

Health care spending in Connecticut reached almost \$15 billion in 2005. Approximately \$6.7 billion of this pays for employer-sponsored health coverage; Medicare pays another \$6 billion; and Medicaid pays a little more than \$1 billion in combined federal and state funds.

Without question, health care spending yields enormous benefits. Medical technology, which is a key driver of health costs, has saved millions of lives. Millions more Americans who, in the past, would have seen health problems lead to serious and permanent disabilities instead lead healthy and productive lives - thanks to better (but more costly) health care. Nevertheless, our health care system fails huge numbers of residents.

Living on the Edge

There is an escalating crisis in health care in Connecticut. In the wealthiest state in the nation, 356,000 Connecticut residents lack health insurance. This figure is more than the populations of New Haven, Hartford and Waterbury combined. Many more state residents have only limited coverage or are just a paycheck away from being uninsured.

Mapping Health Spending shows that Connecticut is far more reliant on employer-sponsored insurance (ESI) than other states. Sixty-one percent of Connecticut residents had ESI compared with 54% for the nation. Yet, the study notes how ESI exerts pressure on both employers and employees. Employers, burdened by increasing premiums, shift costs to employees in the form of rising contributions to health care coverage, higher deductibles and cut backs on new hires and raises. As health care costs continue to outpace wages, it is even more difficult for employees to contribute to the rising cost of employer-sponsored care.¹

The study also finds that many who lose their jobs can quickly be left without health insurance, since they cannot afford the premiums through the Consolidated Omnibus Budget Reconciliation Act (COBRA) and are left uninsured.

Losing a job, graduating from college, changing marital status or suffering a major accident or illness could leave any one of us uninsured.

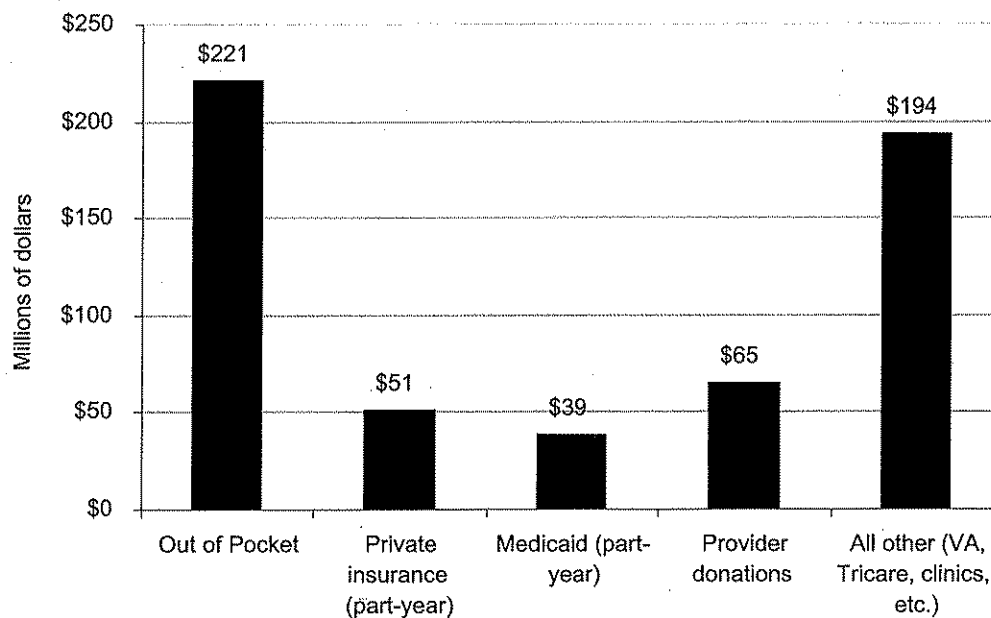
¹ Kaiser Family Foundation, statehealthfacts.org, op. cit., citing CPS data, analyzed by the Urban Institute and the Kaiser Commission on Medicaid and the Uninsured.

Hidden Costs: Everyone Pays for Uninsurance

In 2005, Connecticut spent approximately \$572 million on **direct** health care costs for uninsured residents. Fully, 39 percent of this spending comes from the uninsured themselves. The state's hospitals, doctors, clinics and other health care providers donate another 11 percent of the cost.²

Some of these donations lead to higher charges for services covered by private or public insurance, which ultimately would be reflected in higher private premiums or increased costs for taxpayer-funded health programs.

Spending on Connecticut Uninsured: Direct Costs, 2005
(Total=\$572 million)



Connecticut's current level of uninsurance costs the state's residents between \$652 million and \$1.3 billion a year in indirect costs. This includes lost time at work, lower worker production, fewer healthy residents and an increased reliance on state-funded health care – which ultimately shifts costs to taxpayers and undercuts the state's economic productivity.³

In contrast, covering every currently uninsured state resident would increase total health care spending by only 2.3 percent, or \$343 million per year.⁴

Accountability, Wasted Fiscal Opportunities?

In the midst of a health care crisis, the last thing Connecticut needs is to let badly-needed resources slip away. Yet, that is exactly what the state has done, as revealed in *Mapping Health Spending*.

² See Appendix B of the full report.

³ Ibid.

⁴ Ibid.

State Children's Health Insurance Program (SCHIP): Connecticut has forfeited federal SCHIP (HUSKY B) funding by not fully using its annual allocations in the three-year period permitted by federal law. Under the federal SCHIP statute, the state has three years in which to use each year's federal funding or lose the money. Connecticut has foregone a total of \$82.1 million in SCHIP funds from fiscal years 2000–2004. The highest annual forfeiture occurred after FY 2004, when the state lost \$26 million.

Disproportionate Share Hospital (DSH): DSH payments from the federal government are based on bad debt and free care at hospitals. For FY 2004, acute care and other hospitals in Connecticut received more than \$258 million in DSH payments. But Connecticut also left unclaimed approximately \$99 million in DSH allotment for FY 2004.⁵

Health Care Inequities: Generation Spending Gap

As detailed in *Mapping Health Spending*, Connecticut has the second-highest Medicaid costs per participant in the country, but that average masks sharp discrepancies between beneficiary groups.⁶

For example, the state spent \$20,954 per average elderly beneficiary in 2001, more than any other state, and nearly twice the national average of \$10,619. At the same time, spending per child (\$1,214) and nondisabled, nonelderly adult (\$1,266) ranked 36th and 46th in the nation, respectively.⁷

This gap can be explained in part by the fact that the elderly in Connecticut are significantly more likely to be (expensively) institutionalized than are the elderly in most other states. In 2003, an estimated 5.5 percent of the population over 65 in Connecticut lived in nursing homes, substantially more than the 3.8 percent national average. Nursing home costs in Connecticut are among the highest in the nation.⁸

Health Care: Low Priority in Connecticut?

For all that Connecticut spends on health care, in fiscal year 2002 only 1.9 percent of the state's economy (gross state product) was spent by Connecticut state government on health care. This was the 49th-lowest such percentage in the country and well below other affluent and other New England states, suggesting that Connecticut can afford to increase its commitment to state-funded health care. Connecticut also lags behind the national average in dollars it spends on public health (only 1.5 percent of all state health care dollars), ranking 44th in the nation.⁹

⁵ Centers for Medicare and Medicaid Services Connecticut FY 2004 Disproportionate Share Hospital Report. Available online: <http://www.cms.hhs.gov/dsh/ctdsh04.pdf>.

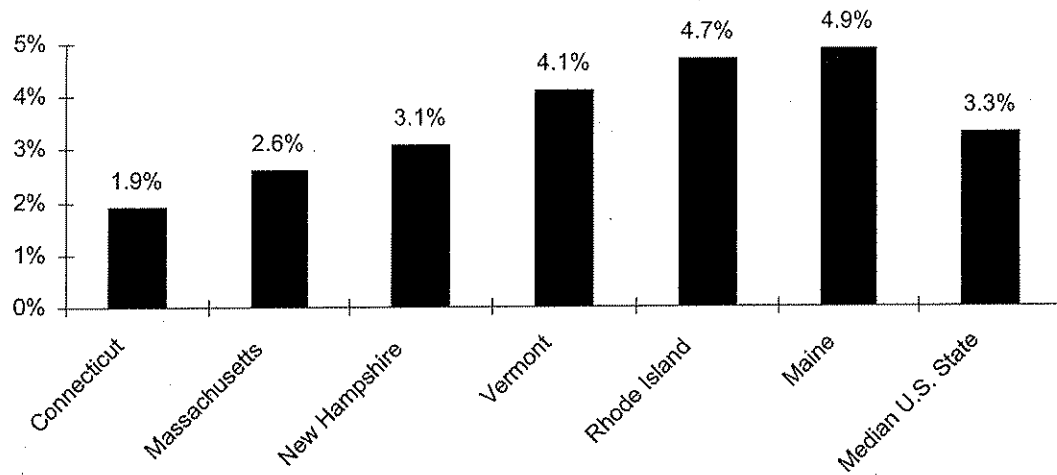
⁶ Henry J. Kaiser Family Foundation, State Health Facts, www.statehealthfacts.org, based on Agency for Healthcare Research and Quality's analysis of the 2003 Medical Expenditure Panel Survey (MEPS) and on data from Centers for Medicare and Medicaid Services – 2004 Reports, 2004.

⁷ Ibid.

⁸ There were 26,069 nursing home patients in Connecticut in 2003. C. Harrington, H. Carrillo, and C. Crawford, "Nursing, Facilities, Staffing, Residents, and Facility Deficiencies, 1997 Through 2003." Department of Social and Behavioral Sciences, University of California, San Francisco, August 2004. Available online. Based on the Online Survey, Certification, and Reporting system (OSCAR), Centers for Medicare and Medicaid Services, U.S. Department of Health and Human Services.

⁹ Milbank Memorial Fund, National Association of State Budget Officers (NASBO), and the Reforming States Group, 2002–2003 State Health Care Expenditure Report, Table 50, Milbank Memorial Fund, Copyright 2005, as cited by Kaiser Family Foundation, www.statehealthfacts.org.

**State Spending on Health Care as a Percentage of Gross State Product, among New England States,
FY 2002**

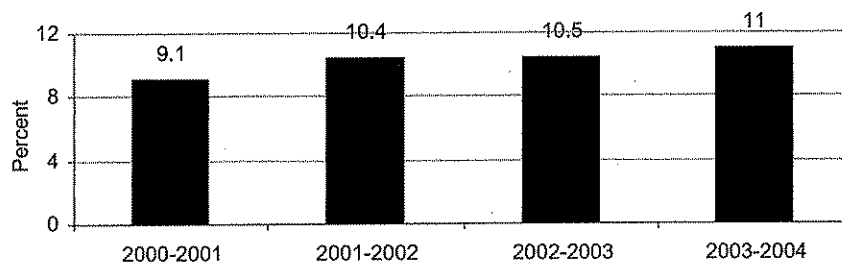


Any one of us could face the dire prospect of living without health insurance. Many uninsured individuals in the state go without essential care, sometimes placing their health in jeopardy. We all pay for the uninsured. Added to the direct costs of having more than a third of a million Connecticut residents without coverage is the indirect economic impact, which may cost the state more than a billion dollars per year.

Uninsurance: Growing Problem in the Workforce

Mapping Health Spending reveals that contrary to most beliefs, the majority of the uninsured work. In fact, among Connecticut's uninsured, two-thirds are employed. Many work for a small business or seasonal or part-time jobs, which frequently means without health insurance.

Estimated Percentage of Connecticut Residents Without Insurance, 2000–2004



The very poorest state residents – those with incomes under \$12,000 a year – are not the most likely to be uninsured. Rather, *the group most likely to be uninsured, by more than a two-to-one margin, are families with incomes between \$12,000 and \$22,000*, many of whom earn too much to qualify for public assistance but too little to afford coverage without help from an employer.¹⁰

In a disturbing picture, Hispanics are more than six times as likely to be uninsured as are non-Hispanic whites. Indeed, although Hispanics are 10 percent of Connecticut's population, they constitute 40 percent of uninsured state residents.¹¹

African-Americans suffer as well. While 9 percent of the overall population is black, 16 percent of the uninsured population and 22 percent of state residents living in poverty are black.¹²

Conclusion

Mapping Health Spending demonstrates conclusively that Connecticut's health care system is broken. As noted, covering every currently uninsured state resident would increase total health care spending by only 2.3 percent.

While new health care spending must be responsibly financed, it is vitally important to remember what Connecticut residents currently spend. The net health care cost, allowing for offsetting savings, is the most important number. This cost could become more affordable if the state can identify ways to lower costs throughout the system, capture unspent federal money and improve the quality of health care for all in Connecticut.

Proposals for fixing the state's broken health care system will emerge from the next phase of this research project. The Universal Health Care Foundation remains committed to conducting research that serves as a catalyst in shaping health policy that ensures universal access to high-quality, affordable health care in Connecticut.

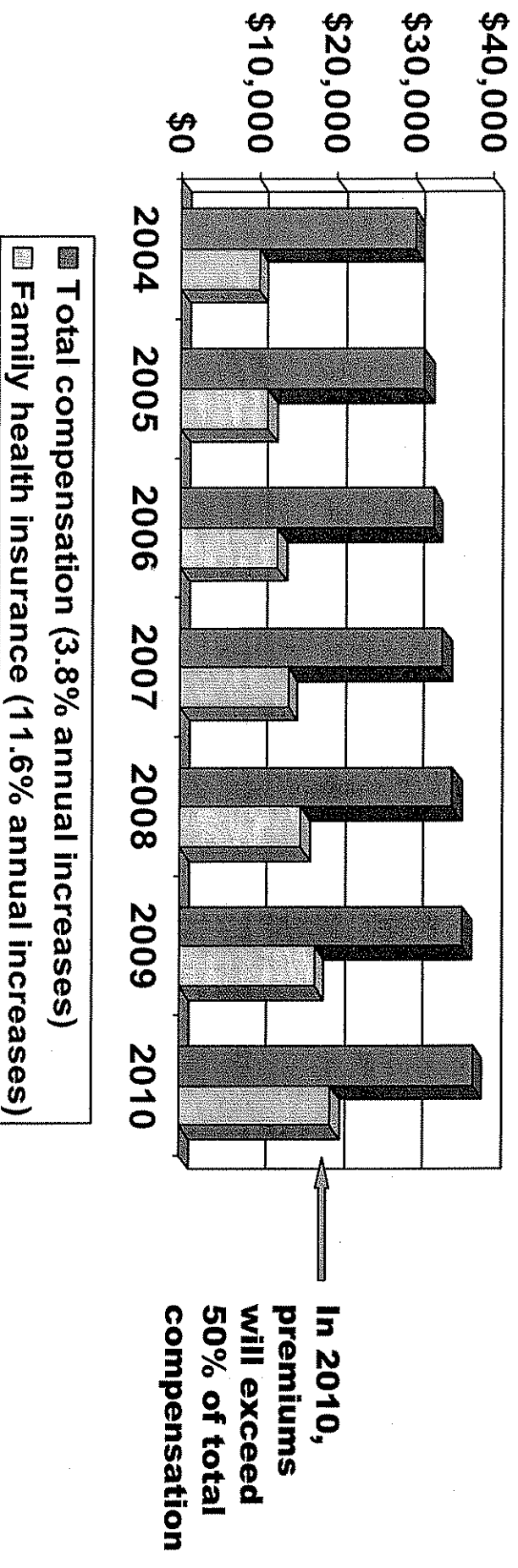
¹⁰ Office of Health Care Access (OHCA), "Snapshot: Connecticut's Health Insurance Coverage: Results of the Office of Health Care Access 2004 Household Survey, January 2005. p. 10.

¹¹ OHCA, op. cit.

¹² OHCA, op. cit.

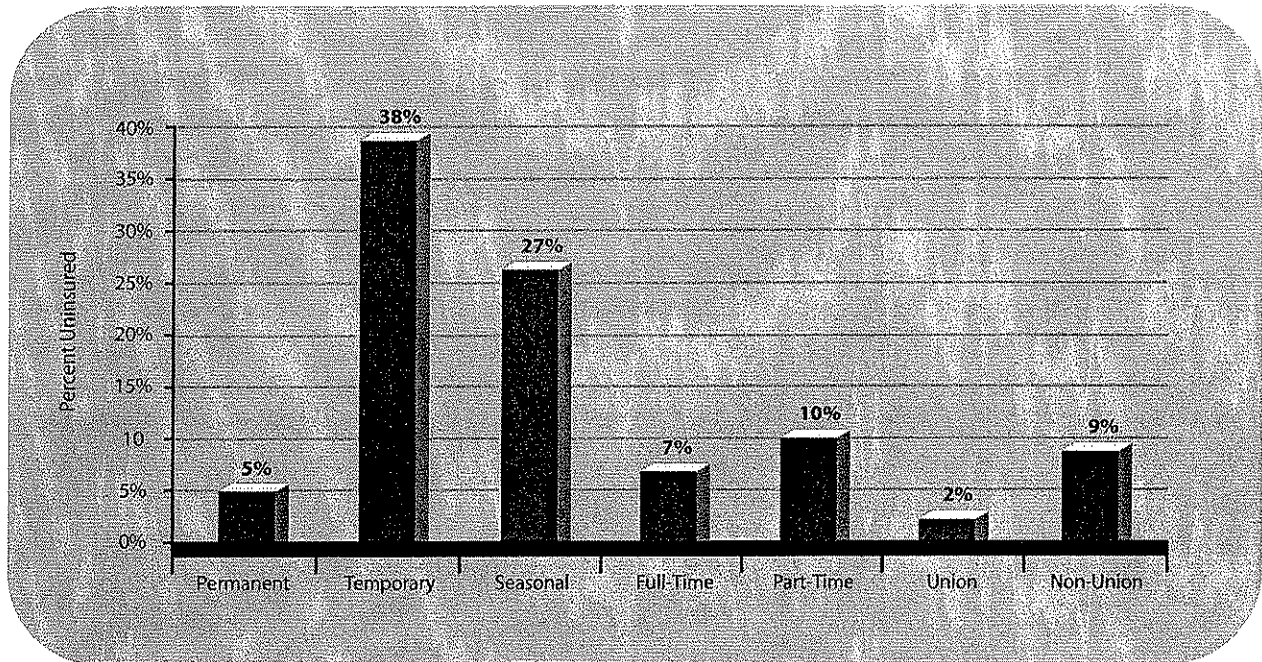
Why health insurance is disappearing from low-wage jobs

Health insurance costs and total compensation for a worker with \$30K total compensation in 2004:
projections based on last 5 years' average growth



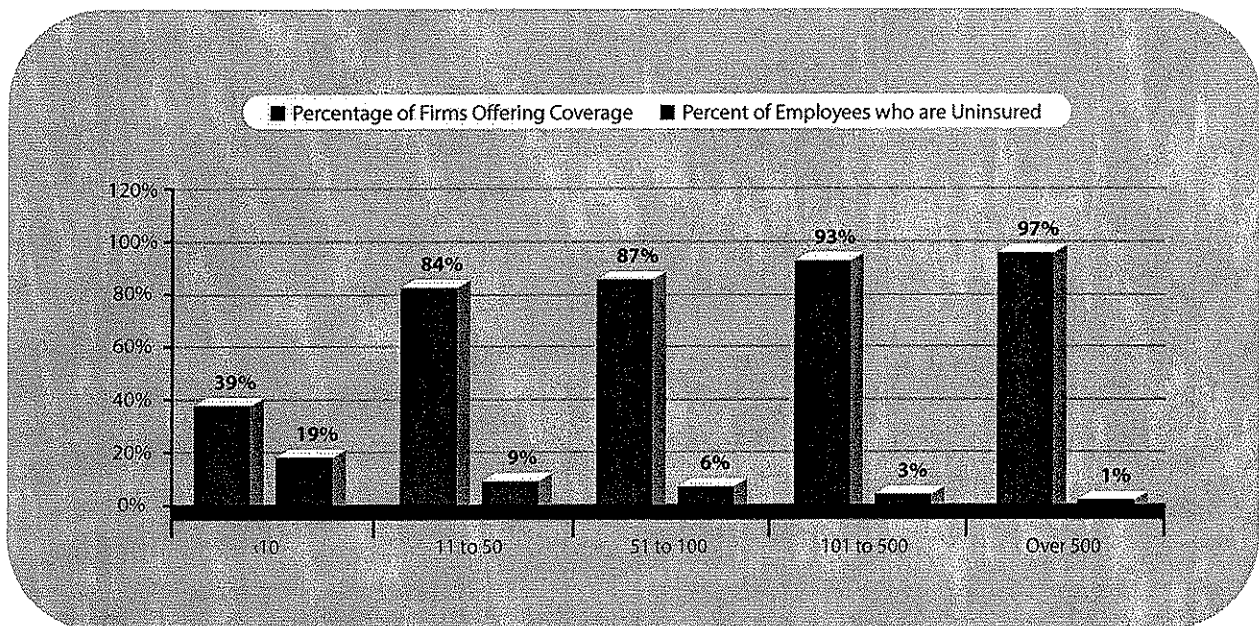
Sources: Kaiser Family Foundation, Sept. 2005; BLS Employment Cost Index, 10/05. Calculations by ESRI, 10/05.

Figure 7. Health Insurance Coverage by Employment Category in Connecticut, 2004



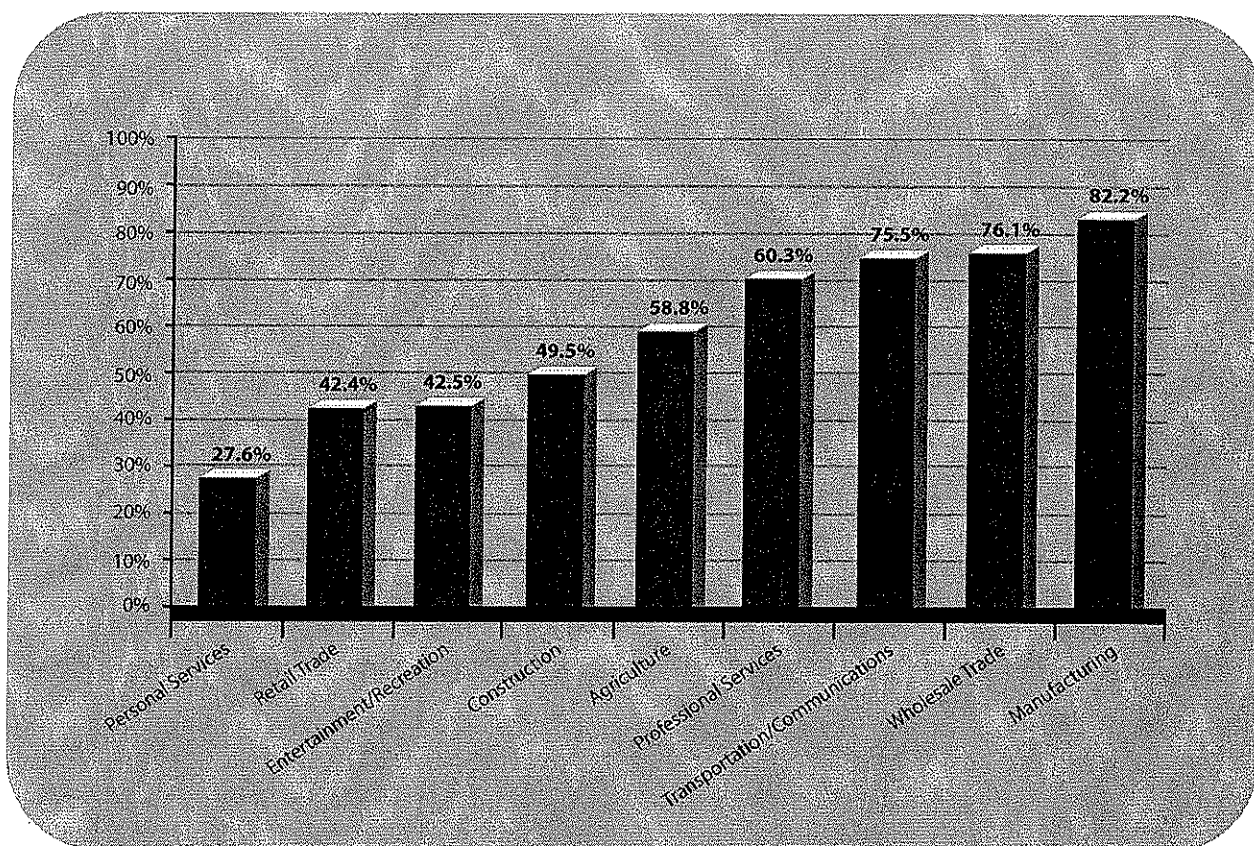
Source: Connecticut Office of Health Care Access 2004 Household Survey.

Figure 8. Insurance Coverage by Employer Size in Connecticut, 2004



Source: Connecticut Office of Health Care Access 2004 Household Survey.

Figure 9. Health Coverage Through Own Job by Industry in Connecticut, 2002



Source: Connecticut Health Advancement and Trust, Inc., Health Spending, Coverage and the Uninsured in Connecticut, 12, July 10, 2002.

The Proportion of Uninsured Appears to Be Increasing over Time

As noted, the Census Bureau recommends using two-year averages of March CPS data to identify changes over time in the percentage of state residents who lack coverage. Following this recommendation, the proportion of uninsured in Connecticut seems to be increasing over time (Figure 10).